

ASHVILLE VOLUNTEER FIRE COMPANY NO. 1 RELIEF ASSOCIATION

CAMBRIA COUNTY

COMPLIANCE AUDIT REPORT

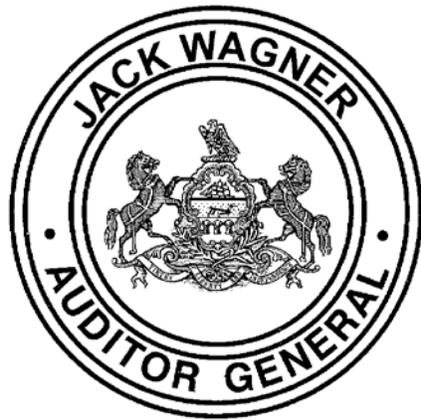
FOR THE PERIOD

JANUARY 1, 2009 TO DECEMBER 31, 2010



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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, the Department of the Auditor General's duty is to audit the accounts and records of every volunteer firefighters' relief association to determine that funds received under the Foreign Fire Insurance Tax Distribution Law, Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.701 *et seq.* (commonly referred to as Act 205), are properly expended.

The Ashville Volunteer Fire Company No. 1 Relief Association, herein referred to as Ashville Volunteer Firefighters' Relief Association, is a charitable organization that was formed primarily to afford financial protection to volunteer firefighters and to encourage individuals to participate in volunteer fire service.

Act 118 governs the overall operation of the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' relief association conducts business. To fulfill its primary purpose, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, it is the responsibility of the volunteer firefighters' relief association to choose investments in a proper and prudent manner.

Volunteer firefighters' relief associations receive public tax monies, and the association officers therefore have a responsibility to the public to conduct the association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the association operates in accordance with applicable state laws, contracts, bylaws and administrative procedures.

Act 205 sets forth the computation of the Foreign Fire Insurance Tax Distribution paid to each applicable municipality throughout the Commonwealth of Pennsylvania. The amount of the distribution is based upon the population of each municipality and the market value of real estate within the municipality. Upon receipt of this distribution, the municipality must allocate the funds to the volunteer firefighters' relief association of the fire service organization or fire service organizations, which is or are recognized as providing the service to the municipality.

BACKGROUND (Continued)

The Ashville Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2009</u>	<u>2010</u>
Allegheny Township	Cambria	\$3,014	\$3,393
Ashville Borough	Cambria	\$1,180	\$1,328
Chest Springs Borough	Cambria	\$ 601	\$ 676*
Clearfield Township	Cambria	\$4,353	\$4,899
Dean Township	Cambria	\$2,009	\$2,261
Gallitzin Township	Cambria	\$2,315	\$2,605*

* The 2010 state aid allocations from Chest Springs Borough and Gallitzin Township were not deposited until April 8, 2011 and October 13, 2011 respectively, subsequent to the audit period. Refer to the finding in the Finding and Recommendation section of this report.

The volunteer firefighters' relief association and the affiliated fire service organization are separate, legal entities. The Ashville Volunteer Firefighters' Relief Association is affiliated with the following fire service organization:

Ashville Volunteer Fire Company No. 1

Mr. Michael E. Racz, President
ASHVILLE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Cambria County

We have conducted a compliance audit of the Ashville Volunteer Firefighters' Relief Association pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2009 to December 31, 2010.

We conducted this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if the volunteer firefighters' relief association took appropriate corrective action to address the finding contained in our prior audit report; and
2. To determine if the volunteer firefighters' relief association received and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures.

Our audit was limited to the areas related to the objectives identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Ashville Volunteer Firefighters' Relief Association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws and administrative procedures including

the safeguarding of assets. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with those requirements and that we considered to be significant within the context of the audit objectives, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the Ashville Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Ashville Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2010, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objectives. Additionally, we performed procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objectives.

The results of our audit, for the period January 1, 2009 to December 31, 2010, found the Ashville Volunteer Firefighters' Relief Association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below and discussed in the Status of Prior Finding section of this report. In addition, the results of our audit found the Ashville Volunteer Firefighters' Relief Association, in all significant respects, received and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the finding listed below and discussed in detail in the Finding and Recommendation section of this report. The results of our tests also indicated the Ashville Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2010, had a cash balance of \$20,884 and no investments.

Finding – Noncompliance With Prior Audit Recommendation –
Untimely Deposits of State Aid

The contents of this report were discussed with the management of the Ashville Volunteer Firefighters' Relief Association and, where appropriate, their response has been included in the report.

October 14, 2011

JACK WAGNER
Auditor General

ASHVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Ashville Volunteer Firefighters' Relief Association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Noncompliance With Prior Audit Recommendation –
Untimely Deposits of State Aid

We are concerned with the volunteer firefighters' relief association's failure to correct the previously reported audit finding. The association management should strive to implement the recommendation and corrective action noted in this audit report.

ASHVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation –
Untimely Deposits of State Aid

Condition: As cited in our prior audit report, the volunteer firefighters' relief association did not deposit all state aid in a timely manner.

<u>Year</u>	<u>Municipality</u>	<u>Amount</u>	<u>Date Municipality Distributed Aid</u>	<u>Deposit Date</u>
2010	Chest Springs Borough	\$ 676	02/22/11	04/08/11
2010	Gallitzin Township	\$ 2,605	10/20/10	10/13/11

Criteria: State aid allocations should be deposited into relief accounts no later than December 31 of each year. It is the relief association's responsibility to monitor the receipt of state aid. If the relief association has not received its state aid check from the municipality by December 1 of each year, the relief association officers should contact the municipality to inquire as to the status of the distribution of state aid funds due to the relief association.

Cause: Even though cited for this issue during our prior audit, the relief association failed to timely deposit two state aid checks.

Regarding the state aid from Chest Springs Borough, per the 706B report, the municipality received its state aid allocation on September 20, 2010, but did not forward the state aid to the relief association within 60 days of receipt, as required by Act 205; the state aid was not distributed to the relief association until February 22, 2011, more than 155 days after the municipality's receipt of the allocation. Furthermore, the funds were not deposited by the relief association until April 8, 2011, more than 60 days after funds were distributed by the municipality. No evidence was provided by the relief association that relief association officials contacted the municipality to inquire about their state aid.

Regarding Gallitzin Township, per the 706B report, the municipality received its state aid allocation on September 20, 2010, and distributed the state aid on October 20, 2010, which is within 60 days as required by Act 205. However, according to relief association officials, the check was erroneously deposited into a fire company account. As a result of our audit, relief association officials were made aware of the error and, on October 13, 2011, the fire company transferred the state aid to the relief association's account.

Effect: As a result of the untimely deposits, funds were not available to pay general operating expenses or for investment purposes. In addition, untimely deposits of receipts increases the risk that funds could be lost or misappropriated.

ASHVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We, again, recommend the relief association officials adopt internal control procedures to ensure the timely deposit of all state aid allocations. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

ASHVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2009 TO DECEMBER 31, 2010

Act 118 at 35 Pa.C.S. § 7412 states: a volunteer firefighters' relief association is an organization formed primarily for the purpose of affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose.

Act 118 at 35 Pa.C.S. § 7416 authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds.

Furthermore, all expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

USES OF FUNDS:

Benefit Services:	
Insurance premiums	\$ 6,554
Death benefits	500
Total Benefit Services	\$ 7,054
Fire Services:	
Equipment purchased	\$ 9,992
Equipment maintenance	883
Training expenses	2,495
Reimbursement of fire company funds	6,779
Total Fire Services	\$ 20,149

ASHVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Ashville Volunteer Firefighters' Relief Association Governing Body:

Mr. Michael E. Racz, President

Mr. Bradey R. Myers, Vice President

Ms. Theresa Price, Secretary

Mr. Mark P. Malloy, Treasurer

The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report.

Ms. Debra Hoover, Secretary
Allegheny Township

Ms. Mary Ann Riggleman, Secretary
Ashville Borough

Ms. Nicole D. Farabaush, Secretary
Chest Springs Borough

Ms. Lynne P. Thomas, Secretary
Clearfield Township

Ms. Patty Fontanella, Secretary
Dean Township

Mr. Leonard S. Cuomo, Secretary
Gallitzin Township

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.